Abstract of the Disclosure

COMPENSATORY RATIO HEDGING

Compensatory ratio hedging is a methodology whereby an amount of a bond that is hedged by a swap varies during the life of the swap, per a predetermined schedule, such that the change in the swap's mark-to-market dollar value is equal to the change in the bond's market value caused by an equal change in interest rates. The amount of bond being hedged by the swap will vary over a predetermined period of time to compensate for the differences in swap and bond valuation drivers. This methodology establishes a hedge such that an interest rate change has a similar dollar impact on the swap mark-to-market value and the bond mark-to-market value thus curtailing some reporting implications of Financial Accounting Standards No. 133 of the Financial Accounting Standards Board.